



MINUTES
PUBLIC MEETING
June 10, 2005
10:00 AM
INDIANA GOVERNMENT CENTER SOUTH
CONFERENCE D

I. Call to Order

The meeting was called to order by Jeff Heinzmann.

II. Roll Call

Ryan Kitchell, Jeff Heinzmann, Tim Berry, and Judy Rhodes were present. John Lentz was absent. Jeff Heinzmann reported to Committee that John Lentz had contacted him by e-mail the morning of June 10 tendering his resignation from the Committee. In his e-mail Mr. Lentz indicated he would submit official resignation to the State Board of Finance as soon as possible.

III. Reading and Approval of Previous Minutes

- A. Judy Rhodes motioned to approve the submitted minutes for February 18, 2005. Tim Berry second the motion and the minutes were passed unanimously.
- B. Judy Rhodes motioned to approve the submitted minutes for March 24, 2005. Tim Berry second the motion and the minutes were passed unanimously.
- C. Jeff Heinzmann proposed attaching letter sent by Mellon Consultants and the letter sent in response to the April 29, 2005 meeting minutes. Judy Rhodes so moved to approve the submitted minutes for the public meeting with attachments as well as the executive meeting minutes. Ryan Kitchell second the motion and the minutes were approved unanimously.

IV. Administrator's Report

Bill L'Huillier, local plan manger for Great-West, reported to the Committee on some highlights from the record keeper transition, and mentioned the communications to participants stressed continuity in plan options and staffing. Bill also discussed results from survey included in the fourth quarter statements and discussed goals for the local office based upon the responses.

V. Indiana Stable Value Fund Report

John Finnegan of Delaware Investment Advisors gave the report to the Committee. He stated that the new administrative fee of 26 bps (0.265%) would be reflected in the next quarterly report. John also reported that there have been ten new management team members added to Delaware in the San Francisco office.

Judy Rhodes asked whether there had been an increase in international fund holdings by Delaware, as a Firm, over the quarter from \$9.8 billion to \$11.4 billion. John Finnegan stated that there had been a change in reporting that added some international fund holdings to this section of the report about Delaware's assets under management.

Ryan Kitchell asked why 40% of the Delaware portion of the ISVF was in mortgage backed securities if the investment outlook for them was less compelling. John Finnegan stated that Delaware's mortgage experts had chosen investments within that sector that had performed well and that they are aware of the challenges facing that sector. He also pointed out the overall strategy for the ISVF involved the doubling of the amount of Delaware's ISVF investment in U.S. Treasury Securities during the quarter and the significant increase in AAA quality investments.

Tim Berry asked why the SEI report compares the Stable Asset Fund to money market funds. John Finnegan stated that it is an effort on the part of SEI, not uncommon in the industry, to present the fund as an alternative to being in money market fund, but that the SEC is beginning to look more closely at how stable value funds are presented to investors.

Ryan Kitchell asked if Delaware provides in person reports like the one John provides for all their clients. John stated that it varies; it is more common with public plans or in plans experiencing specific issues, but that with a plan whose participants are as heavily invested in the ISVF as the Hoosier START plan, it was not unusual. Ryan Kitchell also asked if the consultant report that they prepare for IDCC is typical. John Finnegan stated that it was basically dependent upon what a client wants – some want the report every quarter, some do not.

VI. Consultant's Report

Jeff Heinzmann reported that Don Eibsen had undergone eye surgery the day before and was unable to attend today's meeting. Mellon did not offer to send anyone else and despite a request to Mellon for a telephone number through which the report could be given to the Committee by telephone, no response had been received. Jeff offered to use the speaker phone to call Don's office to see if he was available to participate and report by telephone, but the Committee opted not to make the call.

VII. Old Business

A. Investment Consultant RFP

Ryan Kitchell inquired from the Committee how the previous process in the search was conducted. Jeff Heinzmann, who is the only remaining committee member from the prior search, provided the history of past process. Ryan Kitchell raised the question of whether

a consultant was necessary. The Committee unanimously agreed that a consultant was a valuable asset in fulfilling its fiduciary duty. The Committee selected the following finalists:

1. Segal Advisors
2. Capital Cities, LLC
3. New England Pension Consultants, Inc.

The Committee agreed to hold interviews with the finalists in Executive Session with appointments set at 8:00, 9:00, and 10:00 AM. Making final selection in a Public Meeting at 11:00 AM or immediately following adjournment of Executive Session.

The Committee also briefly discussed the Deferred Compensation budget; how money was accrued and amounts spent concerning the Investment Consultant's fee.

B. Large and Small Cap Growth RFPs

The Committee discussed the Investment Policy Statement (IPS) in relation to Committee removing funds from option selection. Discussion was held regarding the fact that participants have been able to see the ongoing performance of available fund options and that there was no "emergency" as required by the IPS. The Committee agreed its best course of action is to seek the advice of the new Investment Consultant with respect to a new search with action taken no later than October 1, 2005.

VIII. New Business

A. Leave Conversion

Jeff Heinzmann reported to Committee that, under HEA 1394, a Leave Conversion pilot program needed to be implemented by December 31, 2005. The Committee in 2002 had authorized a program that has been approved by the IRS, and was later modified as non-mandatory. This program could be used without changes and take effect by the statutory deadline. Mary Beth Braitman distributed packets explaining the Leave Conversion plan to the Committee. All three eligible branches of government would be contacted to determine which would like to participate in a pilot. A response would be required by the Committee's next quarterly meeting for Committee review.

B. Future Committee Meetings

It was proposed by Committee to wait until June 23 meeting to schedule next quarter meeting when new consultant's calendar is available. The Committee also determined to move to a standard calendar date system, all agreed. The Committee discussed the desire to have a full five member meeting.

IX. Adjournment

The meeting adjourned at 11:30 a.m.